



# 2017 ANNUAL REPORT



# MESSAGE FROM THE CEO

Dear shareholders,

In this time of social, political and economic turmoil, the demand for Coal Lumps products has never been greater, and our company's future has never been brighter.

2017 was a breakout year for us throughout all sectors of our business. Our sales reflect strong underlying performance across our divisions, both in our traditional Grinch division and in the newly formed Gag Gifts market.

We have delivered shareholder dividends in three out of the last five years and we expect the next three years to remain equally profitable.

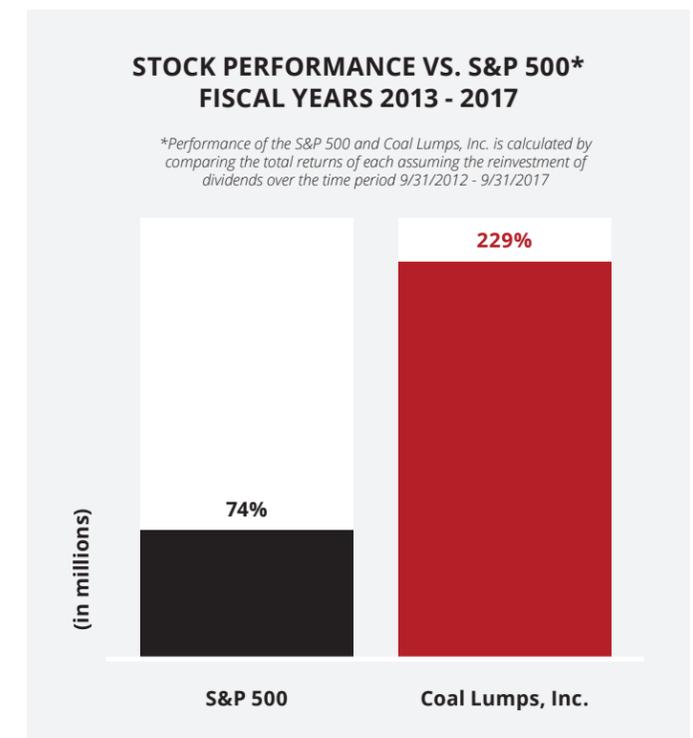
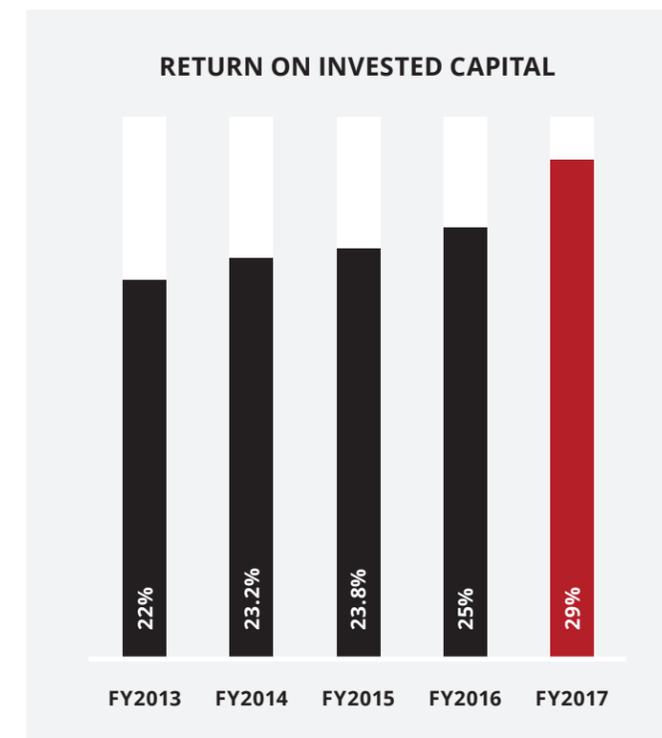
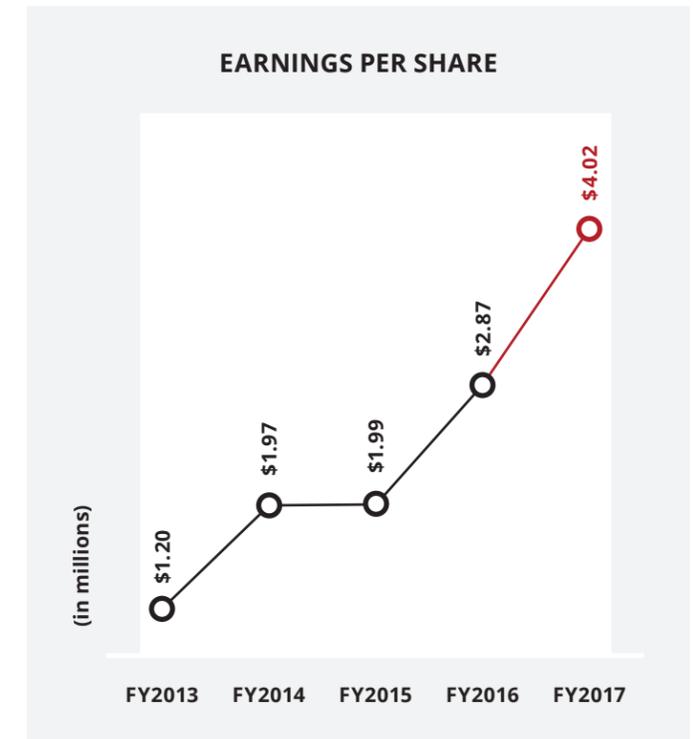
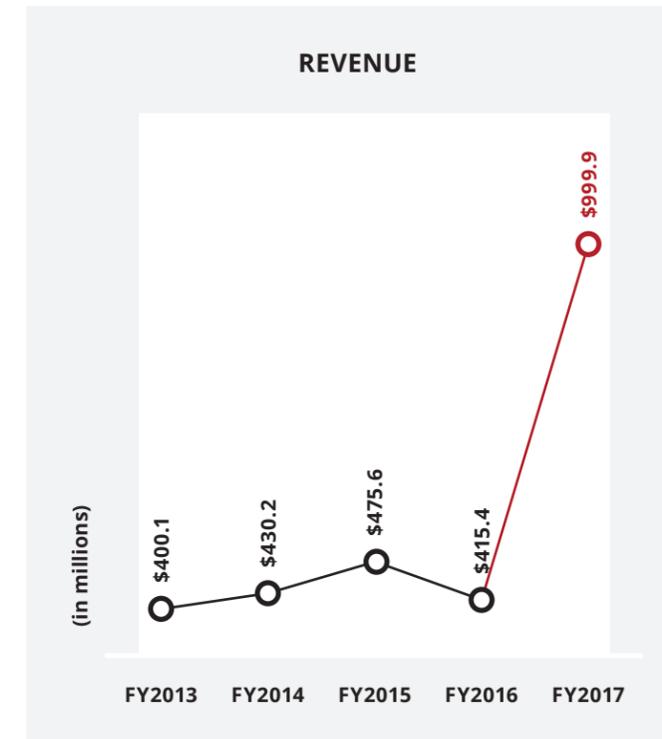
To sustain our growth and build our capabilities, it is important that we continue to make investments in people, systems and products. We've secured a new manufacturing facility, and will be ready to roughly double our production in February 2018. This fall, our newly promoted Chief Marketing Officer Alison Scrooge identified socially conscious millennials as a target demographic for Coal Lumps moving forward. With that audience in mind, we've recently hired a new Vice President of Research and Development, Dave Humbug, charged with identifying a sustainable, green alternative to traditional coal.

Coal Lumps has never had so much opportunity before us. Powered by our talented team, creative mindset and global brand leadership, I've never been more confident in our success.

Thank you,

*John Jingleheimer*  
John Jingleheimer, CEO

# FINANCIAL HIGHLIGHTS



# THE FUTURE OF COAL IS GREEN

Coal has served us well for all the ne'er-do-wells of the world for generations. But, it is not a sustainable source of holiday disappointment. If we are to continue our growth and deliver shareholder dividends at the rate we have in recent years, we must look for alternative sources that still pack a punch of disappointment on Christmas morning.

True, we've gotten more business in recent years as the Naughty List has doubled per capita, and more and more families have done away with fireplaces altogether, requiring their coal to be 100% outsourced.

While this business model is profitable in the short term, it is not sustainable in the long term. If requests for Coal Lumps remain at this level, we will exhaust the world's coal resources in four years.

We have invested heavily in our R&D division in an effort to prohibit this disaster. Early focus groups indicate that garlic bulbs have tremendous potential. They are similar size and weight to coal, which means we would not have to alter our shipping methods or costs. Most children find the natural odor and taste "gross." As a naturally sustainable crop, this has real potential for Coal Lumps.

However, the smell can be unbearable at high levels, and we are preparing for volume to continue to grow exponentially. We are investigating a chemical alteration that would allow the smell to be released via mobile device.

We've also entered into preliminary testing of around a line of passive-aggressive coal alternatives. These have endless potential, as Coal Lumps could offer customization depending on the offenses that resulted in said gift.

For example, children who don't pick up their toys would be gifted incompatible building blocks or board games with missing pieces. An adult line could include a cable package without the sport channels for husbands or a gift card to Talbot's for the naughty hipster shopaholic in your life.

Other coal alternatives include repeating The Killer's Joel, the Lump of Coal for 24 hours straight, however, this often has a negative effect on other members of the household and has been known to physical aggression. Also, black licorice seems to have promise.

The future of Coal Lumps is bright, but only if we are able to find the right alternative that will make children weep and adults drink.





**“Our plan for our evolving brand is simple and straightforward: continue our evolution from a coal company to a disappointment company.”**  
— Alison Scrooge, CMO

## DIVERSIFYING OUR CLIENTELE

Santa is still our #1 customer, but more and more parents are turning to coal as a response to bratty kids.



## NEW BRANDING INITIATIVE

This fall, our marketing department began its initial work on a new brand for Coal Lumps, Inc. As we have identified, coal alone will not meet market demand. We must envision a company in which we deliver more than coal, but true disappointment. That is the essence of our company.

In the next few months, we will be rolling out a new company positioning statement that

reflects this sentiment as well as a new Coal Lumps look. We are building a strategy to take full advantage of social media, and leverage the plethora of Instagram posts of kids crying over our coal on Christmas morning. Because we haven't not had the expensive of lead generation, our marketing budget can be allocated to create the story, image and buzz that will drive our success in the coming years.

## COMPETITION

Coal Lumps still holds the vast majority of the market share, however Spencer Gifts has also shown growth in the area of disappointment.





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